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Consumer Financial Education as a Novel Edu-Regulatory Technique

Introduction

In this chapter, I will introduce my approach to financial literacy education. For this purpose, I will present two new concepts that I have developed to help me think and analyse financial literacy education. First, I will explain why financial literacy education should be viewed as a modern edu-regulatory technique that aims to govern consumer behaviour through information, education and advice. Second, I will hold financial literacy education to be an instance of the democratisation of financial knowledge. As such, it emphasises a recent and novel development in the area of consumer financial regulation, where the expansion of consumer access to information, education and advice has become ever more important. However, before I explain in much more detail the meaning and significance of these concepts, I believe it is necessary to situate my work within a wider scholarship on financial literacy education.

For this reason, in the Introduction, I have placed financial literacy education within contemporary political, cultural, social and economic debates. I have shown the intensification of policy interest and

proliferation of regulatory programmes on financial literacy education worldwide, but is financial literacy education a novel invention of our times, or can it be shown to have been reimagined in new, contemporary forms?

Interest in education concerned with monetary and financial matters could date back to at least the nineteenth century, when various public figures and academic writers debated the meaning of thrift, the effectiveness of household economics and the relationship between people's morality and their spending and saving behaviour (Straus and Kirby 1920; Yates and Hunter 2011; Tucker 1990; Harding 1893; Oberholtzer 1892; Bowman 1922). In fact, the historian Calder has argued that people were always concerned about money management and control of finance. As he has explained:

Money matters. It always has. Of Jesus' thirty-three parables, fifteen are stories about coins, debts, or investments. The Buddha, not normally given to aphorisms about money, nevertheless is represented in the Pali canon as saying the wise and moral man 'should divide his money in four parts; on one part he should live, with two expand his trade, and the fourth he should save against a rainy day'. In feudal China, the merchant-statesman Fan Li amassed an enormous fortune following the advice of his teacher, Ji Ran, who said, 'One must not allow money to be idle'. Fan Li's maxims, still in print 2,500 years later, counsel those who handle money to 'Be vigilant in credit control', 'Don't be penny-pinching', and 'Don't under save-keep reserve funds strong'. Clearly, money has always mattered, even when there was not a lot of it. (Calder 2012, p. 348)

State interest in financial education and its use to regulate populations is also not new. Thrift education, for example, was extensively used by the US government during the First and Second World War to mobilise people to take action. Adults as well as children were encouraged to save money and invest their savings in purchasing thrift stamps and liberty stamps to provide financial support for America in its most demanding times (Walter 1928; Bowman 1922; Rousmaniere 1997; Jones 1924;

Herald 1920; The Bourbon News 1919; The Polk County News 1919; *The Evening Independent* 1918; *Berkeley Daily Gazette* 1918).

A more recent public and scholarly re-engagement with financial literacy education was stimulated by major transformations of modern political economies that have become increasingly financialised. These debates and writings, predominantly produced in the Anglo-Saxon world, situate the emergence and development of financial literacy education within a broader political, economic, social and cultural project of financialisation. Privatisation and financialisation of retirement provision are often mentioned as one of the key drivers of consumer literacy education (Erturk et al. 2007; Pearson 2008; Waine 2009). Increasing financialisation and securitisation of people's income streams other than retirement provision are also used to justify the need for the global movement towards consumer financial education (Bryan and Rafferty 2011; Beggs et al. 2014).

What is particularly unique to this contemporary resurgence of financial literacy education is the increased involvement of regulators and policy makers in pushing forward the financial education agenda nationally and internationally. This agenda is state funded, highly coordinated and pervasive, aiming to reach out to different segments of society in a targeted way. Based on how the effectiveness of financial literacy education is perceived, two broad approaches could be singled out. One perspective, which has also become the mainstream view, considers financial literacy education to be an effective and appropriate tool of state intervention in the financial services market. Another approach, however, is much more critical of financial literacy education. My own research contributes to and complements the latter approach.

The two concepts introduced in this chapter predominantly aim to explain this resurgence and the institutional, regulatory layering that is built around financial literacy education. Edu-regulation and the democratisation of financial knowledge are used to investigate the objectives as well as the consequences of the financial education agenda in the UK, specifically, and the global world, more generally. These concepts allow us to identify serious limitations to the financial education agenda and question if any meaningful impact over the protection of consumers is viable. Before I elaborate on these arguments further, it is

first important to briefly summarise the mainstream approach, which is at the very heart of this book's critique.

Mainstream Approach to Financial Literacy Education

The mainstream approach to financial literacy education regards it as a positive, non-violent and effective state intervention in consumer financial markets. It views financial literacy education as an *empowering tool* that can build consumer resilience and protect consumers by strengthening their bargaining power. The academic interest in financial literacy education has mainly grown from a number of failures of financial market regulation.

Initially, financial literacy education predominantly served to promote and support greater pension privatisation across countries. Given that some countries have shifted the responsibility for social welfare from the state to the individual, financial education was expected to facilitate the transition. The policy research work undertaken by the Organisation for Economic Cooperation and Development (OECD), which is perhaps the key international advocate for financial literacy education, illustrates well this approach (Galer 2002; OECD 1998, 2000, 2003a, b). In the early 2000s, the OECD described financial education as a necessary tool for consumer recruitment into the pensions market:

...let us be clear: this move will not be a panacea since they may just reallocate the risks away from companies (fund sponsors) and transfer them to the "ordinary people" in our societies. Here the problem arises of the capacity for individuals to protect themselves adequately, in the absence of proper financial education and consumer regulation. How satisfied can we be that the existing levels of financial education are "adequate" in this regard? Although we must recognize that this is still very much uncharted territory, let me say that I have very serious doubts about the state of affairs on this ground. (Johnston 2004, pp. 3–4)

Related to this, financial literacy education was seen as a panacea for pension mis-selling. Referring to the 2001 collapse of the Enron Corporation, one of the OECD's representatives has argued that:

...American workers are further sensitized to the basic tenets of managing a retirement investment portfolio. Unfortunately, however, many of these workers have not sought or do not have access to professional investment advice. Nearly 70 percent of workers look to family and friends for financial advice while the remainder consults with financial planners and financial services firms for professional advice on financial products and investment decisions...The current situation among American workers might serve as a model as to what not to do! Policy makers must take a very careful look at the level of investment education and advice available to private pension participants. (Brahs 2002, pp. 5–6)

In just a few years, the regulatory interest in financial literacy education has grown immensely. Not only have more countries and international institutions rolled out projects on financial education, but its regulatory ambitions have evolved and expanded¹ (OECD 2009; Rutledge et al. 2010; Ledgerwood et al. 2013). This became particularly evident after the financial crisis when the G20 placed financial literacy education on the international regulatory agenda (G20 2011). Portrayed as systemically dangerous to the global financial system, consumers were criticised for a failure to think and act responsibly towards their finances (Rutledge et al. 2010; Rutledge 2010; The Lord Turner 2009; OECD 2009). As a result, financial education emerged as a central regulatory mechanism to respond to these problems.

Academic support for this regulatory turn to financial literacy education can primarily be found in economics scholarship (Shiller 2008; Gallery and Gallery 2010; Garcia 2011; Inderst 2011; Gathergood 2012; Collins 2012). In essence, this body of academic work has identified and focused on two interrelated problems that are typically experienced by consumers when making choices. First, lack of access to information and financial advice is regarded as having contributed to high exposure to

financial risks. Shiller's explanation for the financial crisis, in fact, captures this approach well:

Low-income individuals who took out risky subprime mortgages, with interest rates that would soon be adjusted upward, were often unaware of the known risks inherent in such mortgages. They had no clue that there was a real risk that, in the event of a crisis, they would not be able to refinance their mortgages. Why not? Because there was little economic impetus to provide such information through established communication channels. Thus these new homeowners unwittingly assumed hazardous risks. (Shiller 2008, p. 123)

Contrary to this, the financial resilience of wealthier consumers during the financial crisis is explained by their easy access to financial information and advice:

Financial advice magazines did indeed report on these risks. So, while the higher-income subscribers to those publications got the story and stuck overwhelmingly to conventional fixed-rate mortgages, many lower income people were left with personal tragedies. (Shiller 2008, p. 123)

Second, financial literacy education is articulated as an effective way of reducing cognitive errors and mistakes to which consumers are susceptible when making financial decisions² (Gathergood 2012). Advice and education-based consumer protection is presented as superior to the information-based approach, which was traditionally used to protect consumers through techniques such as disclosure and labelling. Advice and education, the argument made, are interactive, regulatory techniques that are attentive to consumer behavioural biases (Inderst 2011; Gallery and Gallery 2010). Essentially, this academic work suggests that greater education or professional consultation can potentially help consumers overcome problems such as overconfidence, inertia, information overload, confusion over jargon, or heuristic decision-making.³

As one of the leading scholars of this approach, the economist Lusardi has repeatedly argued that financial literacy education should take into account the bounded rationality of individuals and facilitate consumer ability to process information (Lusardi 2004, 2005, 2008). This could be achieved primarily by improving consumer access to financial information and professional advice (Lusardi 2008). She has suggested that financial education programmes should be targeted according to people's levels of financial literacy (Lusardi 2005; Lusardi et al. 2012). According to this body of work, the lowest levels of financial literacy are found amongst women, young people, ethnic minorities and lower income consumers (Lusardi 2005; Lusardi et al. 2009, 2012; Lusardi and Mitchell 2011). Low financial literacy levels are then used to explain people's problems with debt (Lusardi and Tufano 2009), dis-accumulation of wealth (Stango and Zinman 2007; Hilgert et al. 2003), lack of retirement planning (Lusardi and Mitchell 2007a, b) or low engagement with the financial services market (Rooij et al. 2007). Financial illiteracy is even used to explain household financial instabilities that have significantly contributed to the global financial crisis (Klapper et al. 2012). All in all, these economists celebrate financial literacy education and perceive it to be an *empowering tool* for consumers in financial markets.

This mainstream approach to financial literacy education, however, has its limitations. First and foremost, the empowerment discourse advocated by the mainstream approach masks the edu-regulatory mission that governs and responsabilises consumers through financial literacy education. Second, and arguably more important, the mainstream view presents a distorted and unrealistic account of consumer decision-making. Financial literacy education expands consumer access to de-contextualised financial knowledge that is of little to no use for some consumers. To understand these limitations better, each argument will be explained separately. A brief summary of the academic scholarship that inspired and shaped my interpretation and theorisation of financial literacy education will also be provided. My hope is to clarify the origin of, and my intellectual journey towards developing, two novel concepts.

Financial Literacy Education as Edu-Regulation

I want to suggest that financial literacy education should be conceived as edu-regulation. Edu-regulation is defined as a legal regime (various policies, programmes, strategies and other regulatory practices) that uses information, education and advice to govern consumer behaviour and consumer markets. What is particularly unique about this concept is that it captures and reflects recent changes in the ways we regulate consumer markets. Rather than merely relying on passive regulatory techniques, such as disclosures and labelling, regulators have increasingly deployed interactive regulatory techniques such as education and advice, to interfere with the consumer decision-making process. These interactive techniques, it has been suggested, have greater impact on consumer behaviour and are more likely to lead to desired behavioural change.

To understand the significance of this new development, it is important to situate it within a much older intellectual tradition on consumer protection via information.⁴ A tradition to regulate consumer markets through information provision dates back to at least the 1970s. Founded on a neoclassical economic understanding of consumer behaviour, regulation and state intervention in consumer markets was largely justified by the logic of market failure.

The analysis of this particular framework published by Ramsay in 1985 is one of the earliest scholarly accounts that meticulously documented the very mechanism of and rationales for neo-liberal regulation of consumer markets. He argued that market failure is the principal economic rationale for state intervention in consumer markets (Ramsay 1985). Ramsay has identified two main failures that were used to legitimise consumer protection policies, one of which is informational failure⁵:

[...]markets need adequate information on prices, quality, and terms if they are to function efficiently. The perception that consumers are imperfectly informed as to the nature and consequence of their purchasing decisions has justified many consumer protection measures. Although it might seem trite to some readers to stress the importance of information

to consumer markets and to point in a general way to “information failures” as a rationale for government regulation, it is only in recent years that scholars have become sensitive to the complexities involved in regulating market information (Ramsay 1985, pp. 355–356).

Imperfect consumer information, under the neo-classical economic approach, potentially causes market inefficiency and produces non-competitive practices. Thus, consumer access to information was presented as the most effective way of protecting consumers and maintaining competitive markets (Ramsay 1985). Yet since imperfect information is a very broad concept and could be used to justify any intervention (while the resources are limited), Ramsay has argued that consumer protection measures were subjected to a cost-benefit analysis (Ramsay 1985). As a result, the key goal of state intervention was to provide “adequate” rather than “perfect” information (Ramsay 1985, p. 355). Founded on this rationale, consumer protection policies tend to place major significance on the provision of positive information (prices, terms and conditions, quality) and on the restriction of negative information (prohibition of false and misleading claims) (Howells 2005).

What is more, this neo-classical economic approach assumes that consumers are rational actors who use the information received to make their decisions and maximise their utility. As Willis has explained:

Neoclassical economics and the law and economics movement it spawned have assumed that individual decision-making takes a certain form. That rational *homo economicus* model of decision-making, when stated as more than a nonfalsifiable postulate that people’s actions reveal their rational choices, holds that decision makers choose options that maximize their expected utility. Implicit assumptions are that people can and will know all alternatives and understand their costs and benefits, probabilistically weighting for uncertain outcomes. People then evaluate the alternatives with reference to resultant states of well-being by assessing possible end-states in light of their own internal fixed orderings of preferences. (Willis 2006, p. 741)

The information-based regulatory model, however, has attracted widespread criticism from academic literature for a failure to deliver its

promise of consumer empowerment. Studies have shown that few consumers take into consideration the information given to them (Viscusi 1996) that information tends to be used more often by higher-income consumers than the less well-off (Whitford 1973); or that, simply, information is not an adequate tool when given to some consumers to act upon it in the market (Howells 2005).

Yet, perhaps, one of the most challenging criticisms directed at the information-based protection model comes from scholarship on behavioural economics. Questioning consumer ability to use and process information rationally, behavioural economists have argued that consumers frequently make decisions using various heuristics and biases, that is, various mental short cuts and rules of thumb that affect their choices (Tversky and Kahneman 1974).

However, it is very interesting to note that academic literature is divided into how it interprets these findings and how it applies them to understand and model regulation of consumer markets. According to one group of scholars, mainly economists, behavioural economics does expose limitations to information-based protection of consumers, however, consumer education is perceived as a novel and suitable technique to tackle these deficiencies. This view is well illustrated in Hadfield's et al. (1998) research where they have stated that:

[...] although there was early recognition that information problems in consumer markets were compounded by the ability of consumers to process and make use of information, the early analyses tended to see these problems as ones of education or sophistication or class. We now have a greater appreciation of the routine obstacles that any consumer faces in processing complex information, such as information about product risks or market uncertainty. Information processing is costly and so consumers economize on the care with which information is processed. There is evidence that people rely on various heuristics and other devices to govern their interpretation of the great quantities of information they confront daily, and that these devices can systematically lead to bad choices as sellers exploit their weaknesses. In some cases, consumers may need substantive protection not because they are members of a vulnerable group such as the poorly educated, but because as a class consumers are systematically

unable to adequately process the information they need to make good decisions. (Hadfield et al. 1998, pp. 144–145)

A very similar take on the significance of behavioural economic findings to consumer protection architecture is reflected in the work of Lusardi, who has been an active pioneer for consumer financial education since the 1990s. Initially, interested in low levels of retirement saving in the USA, Lusardi has borrowed ideas from behavioural economics to discredit the information-based approach to household saving (Lusardi 1999). Instead, she has advocated financial literacy education which, as she suggested, would address difficulties common to informational models of retirement saving: costs of accessing information, complexity of choice-making, delayed gratification and self-control necessary for saving (Lusardi 1999). Later these ideas were elaborated and expanded to be applied to other spheres of consumer financial markets (Lusardi 2002).

Much of this research considers financial literacy education to be an important and effective measure in protecting and empowering consumers in financial services markets (Lusardi 2005, 2009; Lusardi and Mitchell 2008, 2011; Lusardi and Tufano 2009). These accounts typically suggest that people's lack of awareness and understanding of financial services and products results in their financial poverty and financial exclusion or even making them more susceptible to financial mis-selling. Financial literacy education programmes are then championed as a solution to effectively regulate consumer behaviour as well as consumer financial markets (Lusardi 2009; Inderst 2011).

However, a more complex understanding of consumer financial decision-making is offered by scholars working in fields of critical and socio-legal studies. Contrary to Lusardi's work, these intellectual accounts use behavioural economics to problematise both approaches to consumer protection: protection via information and protection via education.⁶

In her analysis of predatory lending, for example, Willis has explained that information as a regulatory technique is problematic not just because cognitive and emotional processes affect people's decision-making, but

also because socio-economic context shapes consumer choice and preferences. As she has identified:

[t]o understand individual decision-making, a distinction must be made between inward psychological (cognitive and emotional) processes and outward behaviour. At the psychological level, it appears that the same cognitive and emotional processes shape all human decision-making and that, generally speaking, these processes can “bias” – or affect in non-rational ways – their resultant decisions. Cognitive processes are, as Tversky and Kahneman famously asserted, “neither rational, nor capricious.”... Heuristic, biased, and emotion-laden decision-making processes are not departures from the norm, they are the norm. However, the real-world triggers for various psychological responses are not the same for all segments of society, with the result that people’s decision-making behaviors are not homogeneously modelable and predictable. (Willis 2006, p. 759)

Mindful of the importance of considering socio-economic environment when considering regulation of consumer markets, Willis has expressed serious concerns about the imaginary of consumers embedded in both *homo economicus*⁷ and *homo behavioralus* models.⁸ She has explained that although some intellectual accounts have rejected the *homo economicus* model in favour of a more realistic model of *homo behavioralus*, it still lacks adequate engagement with and appreciation of a number of sociological features that shape consumer decision-making (such as gender, race, class, ethnicity and age) (Willis 2006). Elaborating her critique of a monolithic *homo behavioralus* model, Willis has observed:

[t]here is a tendency in some legal scholarship, in an attempt to match the parsimoniousness of rational choice theory, to collapse the distinction between psychological processes and behavior. These scholars fail to appreciate sufficiently the degree to which context mediates between internal processes and resultant behavior. Focused on the commonness of nonrational decisionmaking mechanisms, they miss how the heterogeneity of contexts in which people find themselves leads to heterogeneous behaviors. (Willis 2006, p. 760)

This complexity surrounding consumer decision-making processes was also acknowledged by Williams in her seminal article on financial literacy education. As one of the earliest critics of a recent regulatory movement to govern consumer markets through financial literacy education, Williams has argued that the idea of self-governing consumers is inherently contradictory to the very “ungovernable” nature of consumers (Williams 2007). She has explained that this “ungovernability”, manifesting itself in biases, inconsistencies and errors when making financial decisions, reflects the complex and highly unpredictable nature of the way consumers choose financial products and services, and how they make financial decisions (Williams 2007).

Moreover, she has suggested that the project of financial education, as a form of regulation, shifts responsibility and accountability not only for social security but also for market governance from the state to the individual. According to Williams, financial literacy education responsabilises consumers “as a regulatory subject” and unproblematically presumes that consumers will be capable of governing their own behaviour as well as that of financial markets (Williams 2007, p. 248). Financial literacy education as a self-regulatory model demands of the responsible consumer to regulate:

the behavior of firms and the performance of markets. Literate, skilled consumers are expected to search the market effectively, monitor firms attentively, switch providers efficiently, and exercise their consumer power to drive out of the market firms that are dishonest, incompetent, or indifferent to consumers’ needs. Through making choices that reward or punish firms appropriately, the educated and responsible consumer may become a resource available for regulators to enlist in the project of improving the competitive health of financial markets, nationally and in the global arena. (Williams 2007, p. 233)

Williams’s critique of this educational mandate was later used by other critical, legal scholars to theorise financial literacy education by further exposing its problematic regulatory objectives and functions (Marron 2014; Clarke 2015). This academic literature situates financial education within a broader project of the regulatory framework for consumer

protection and holds it to be a novel regulatory technique that imposes new obligations and responsibilities for consumers to self-regulate (Williams 2007; Marron 2014; Clarke 2015).

One of the principal reasons for developing the concept of edu-regulation was precisely to account for and make visible this responsabilisation agenda. It was to show how the project of financial literacy education seeks to responsabilise consumers, that is, to give them new responsibilities in regulating and policing their own financial behaviour.⁹ In other words, financial literacy education is not merely about consumer empowerment, it is also about consumer responsabilisation (Williams 2007).

Yet another important reason was to identify and examine novel regulatory techniques that constitute the project of financial literacy education. The so-called interactive regulatory techniques—education and advice—are increasingly relied on by regulators and policy makers to govern consumer financial markets. In the chapters that follow, a detailed analysis of each interactive technique is provided. More specifically, financial education in English schools is examined in order to describe the ways in which personal finance lessons and teaching materials are used to govern children's, as future consumers, behaviour. I also investigate the UK's financial advice market, describe its institutional development and explain how it came to play such a prominent role in regulating consumer financial decision-making.

Finally, it is crucial to show the active involvement of financial regulators and policy makers in developing the framework for financial literacy education. Financial literacy education is a legal regime that did not magically emerge due to increased consumer demand for financial education. It was built by and, at least, partially funded by the UK government and the FCA. The FCA and the UK government expected that consumers would receive the financial information, knowledge and advice given to them, process it and use it when making financial choices. However, in the following chapters of this book I cast serious doubts as to the success of this project. I explain why these interactive techniques, though better than mere disclosures or labelling, fail to protect

consumers adequately in financial markets. As a result, consumers are vulnerable to a great number of risks that were expected by regulators to be addressed through financial literacy education.

Financial Literacy Education as the Democratisation of Financial Knowledge

In this section, I want to suggest that financial literacy education should also be conceived as the democratisation of financial knowledge. The democratisation of financial knowledge in effect means ever greater expansion and broadening of consumer access to financial information, financial education and financial advice. The inspiration to conceptualise financial literacy education as the democratisation of financial knowledge comes mainly from two sources.

First, as a result of my empirical work over the last 6 years, I have observed noticeable regulatory attempts to expand and broaden consumer access to financial information, education and advice. My analysis of various legal acts and policy documents has mapped out the regulatory development of the financial literacy education project in the UK. Specifically, I have looked at legal reforms in the area of financial services, consumer protection and social welfare to understand the regulatory and institutional foundations of financial literacy education. This investigation has demonstrated intentional and coordinated attempts by financial regulators and policy makers to broaden consumer access to financial information, financial advice and financial education. I have also shown that this expansion was critical to support the changing institutional and regulatory environment of the social welfare system and the financial services market. Innovative organisations, centres and charities were set up to provide free education and advice to consumers. These multi-directional and multi-faceted ventures resulted in a much greater availability of financial information, education and advice for consumers.

On the face of it, this expansion seemed to be a desirable development. Why would it not be good for consumers to have easier and cheaper access to financial information, education and advice? Moreover, why would anyone oppose an initiative that could potentially empower them? Understandably, these questions and concerns drove my research further. I have, therefore, undertaken to explore in greater detail what kind of information, education and advice is made accessible to consumers. Furthermore and perhaps more importantly, can this democratisation of financial knowledge bring about desirable consumer empowerment? To address these questions, I turned to social and political studies of finance, which is my second source of intellectual inspiration. A short introduction to some key ideas and observations from this scholarship is merited here.

Financialisation as a Force Behind the Democratisation of Financial Knowledge

The vast literature on financialisation helps to situate the project of financial literacy education within a broader political-economic order of financialised capitalism. It provides a plausible and convincing explanation of the incredibly rapid development and wide regulatory support for financial literacy education in the UK. In other words, financial literacy education is a result of financialisation but also an integral part that supports and helps to sustain it.

The concept of financialisation was developed by academic researchers working within the fields of political and cultural economy (Krippner 2005; Epstein 2005; Orhangazi 2008). Deployed and relied upon to describe and explain the nature, characteristics and implications of the contemporary capitalist order, financialisation is generally associated with transformations in, and re-configurations of, the global financial system that took place during the late 1970s and the early 1980s.

Taking a political, economic perspective on financialisation, some academic scholars have defined this new phase in political economies as the expansion of the power of finance through ever greater practices of

financial capital accumulation and over-accumulation (Krippner 2005; Harvey 2011; Ireland 2009; Arrighi 1994), or as an unprecedented period of financial innovation in the wholesale or retail markets (Erturk et al. 2008).

The regimes of financial capital accumulation are shown to encompass various re-configurations, practices and processes. For Krippner, capital accumulation and profit-making through “financial channels rather than through trade and commodity production” signalled that political economies have become ever more financialised (Krippner 2005, p. 174).¹⁰ Financialisation is used to describe the rise of shareholder-oriented mode of corporate governance across many countries (Ireland 2011; Harvey 2007, 2011; Froud et al. 2000).

Stockhammer, for instance, emphasising the rising influence of shareholder interests as firms’ key objectives, has taken the concept of financialisation to mean a greater “engagement of non-financial businesses on financial markets” (Stockhammer 2004, p. 21). Drawing from a Post-Keynesian theory of the firm, he has argued that financialisation, by realigning the interests of the firm with those of the shareholders, shifted the firm’s preference from growth to that of increasing profit, resulting in a slowdown of physical capital accumulation¹¹ (Stockhammer 2004).

Interested in the ways in which financialisation changes institutions of political economies, regulationist Boyer attributes a number of elements to the finance-led accumulation regime, such as shareholder-primacy model of corporate governance, labour market flexibility, competition in financial markets, monetary policy which is oriented to prevent financial bubbles, household income generation from wages as well as financial assets, taxation on less mobile factors (workers and fixed assets rather than mobile capital) and financing of national insurance systems via the stock market (Boyer 2000).

Other political economic accounts that theorised processes of financialisation, focused on the proliferation of financial instruments and services (Phillips 1995; Fine and Hall 2012), and the expansion of financial innovation, such as swaps, futures, options, leveraged buyouts and junk bonds (Strange 1998; Bryan and Rafferty 2006). Looking at the US credit card industry since the mid-1980s, Montgomerie has argued that the financial innovation of securitisation was a principal reason for

the enormous profitability and expansion of the credit card industry in America (Montgomerie 2006). The financialisation of the American credit card sector showed how securitisation changed the supply of consumer credit by offering household spending money to financial markets as financial assets (Montgomerie 2006).

The cultural-economic research on financialised capitalism has contributed to literature on financialisation by bringing a cultural perspective to the analysis and examination of finance, financial practices, financial actors and the overall economy (MacKenzie 2006; Thrift 2001; Clark et al. 2004; Goede 2005, 2012). Importantly, a number of the cultural-economic accounts on financialisation have demonstrated how a new political-economic order modified day-to-day household life.

Analysing the routines and rhythms of individuals' saving and borrowing behaviour in the US and the UK, Langley has argued that financialisation can explain not only transformations that took place in financial centres like Wall Street, but it can also be of great assistance in showing changes in everyday saving and borrowing (Langley 2008). Referring to what he has termed as the "financialisation of daily life", Langley has claimed that "individuals are encouraged to perceive practices of financial market investment and the returns that are assumed to follow as key to their freedom and security for both their medium term and their retirement" (Langley 2007, p. 75).

Similarly, looking at the media representation of self-help literature on personal finance, Martin has brought to light the different and complex ways in which financialisation, and its underlying logic of financial calculation and judgement, entered the homes of ordinary consumers (Martin 2002). Referring to financialisation as the colonisation of the daily lives of American households, he has argued that "it asks people from all walks of life to accept risks into their homes that were hitherto the province of professionals. Without significant capital people are asked to think like capitalists" (Martin 2002, p. 12).

So how is financialisation linked to consumer financial education? More importantly, how can financialisation help us explain the need for consumer financial education? The answers to these questions will be provided in the third chapter of this book, where the emergence of financial literacy education in the UK is meticulously documented and

presented to the reader. It is sufficient to note here that financialisation changed not only the political-economic order of states but also the daily lives of most households. This change demanded of households new skills and techniques to cope with the risks that were previously managed by the state.

But did these households have the necessary skills and ability to manage these new risks and how did they experience the process of financialisation? Extensive research on the effects of financialisation suggests that there were those who benefitted from the process, and there were others who were less fortunate.

The Democratisation of Finance and Financial Exclusion

Some public commentators, policy makers and academic researchers have declared that the processes of financialisation, globalisation and financial market liberalisation led to the democratisation of finance (Friedman 1999; Shiller 2003). The democratisation of finance in effect means “the broadening and deepening of access to the capital market for ordinary, moderate income individuals and households” (Erturk et al. 2007, p. 554). The democratisation of finance makes a number of promises. It has been suggested that the democratisation of finance delivers an equal opportunity for all to make money in financial markets (Frank 2002), or that it expands consumer access to credit, homeownership and, more generally, financial capital shares (Austin 2004; Barr 2001). Some have even argued that the democratisation of finance can solve “the problem of gratuitous economic inequality” (Shiller 2003, p. 2).

Others however noted that due to serious failures of financialisation, a number of households were deprived of the benefits of financialised capitalism. In particular, difficult access to financial services was thought to have led to limited economic growth in “low- and moderate-income communities and minority borrowers” (Barr 2001, p. 2), thereby, contributing to the existing financial inequalities. Exclusion from

financial markets was articulated as one of the key challenges to successful economic development, economic growth and poverty alleviation (Chima 2010).

In the UK, policies aimed at tackling financial exclusion¹² became particularly popular under the Blair government¹³. Leyshon's and Thrift's work on the geographies of financial exclusion is arguably one of the most influential academic accounts used by policy makers in the UK to respond to Britain's uneven development, caused or exacerbated by financialisation¹⁴ (Leyshon and Thrift 1995).

Leyshon and Thrift have argued that the emergence of spaces of financial exclusion had significant consequences leading to Britain's uneven development, since these spaces were associated with economic decline, poverty and deprivation (Leyshon and Thrift 1995). Mapping the geographies of financial centres in the UK, they have shown how financial institutions withdrew their businesses from the poor neighbourhoods, financially excluding the poorest communities from accessing the financial system (Leyshon and Thrift 1995, 1996). Explaining how the financial system is inherently discriminatory, since it operates on the basis of risk, they have suggested that the lack of access to financial services, including but not limited to bank accounts and credit, excluded and disadvantaged the low-income households (Leyshon and Thrift 1995).

Later academic work has expanded the concept of financial exclusion by documenting more potential barriers to the democratisation of finance (see, for example, Kempson 1996; Fuller 1998; Kempson and Whyley 1999; Goodwin et al. 1999). However, it was the work of Kempson and Whyley that contributed and formed the basis of the UK government's, as well as the FCA's, policy reforms (see Kempson et al. 2000). Kempson and Whyley (1999) have argued that:

The *likelihood* of being on the margins of financial services clearly depends on who you are, but where you live is also important. The types of household most likely to be marginalised are those headed by very young or very old people; by lone parents or (to a lesser degree) single pensioners; and by African-Caribbean, Pakistani or Bangladeshi people. Above all they

are the poorest households in Britain: those where the head of household is unemployed, sick or disabled; with net incomes of between £50 and £150 a week, especially if they claim Income Support, supplemented by Housing Benefit. Levels of use of financial products are lowest among households living in council housing or housing association properties; in local authorities where there is a high level of deprivation; and especially in Scotland, the North of England or Greater London. (Kempson and Whyley 1999, p. 40)

These academic accounts have elaborated on and enlarged the list of threats that are considered to affect people's financial inclusion and their democratic participation in financial markets.¹⁵

High financial illiteracy levels are named as one of the barriers preventing people from effectively operating in financial markets. Within the literature on financial exclusion/inclusion, financial illiteracy is unproblematically and unambiguously articulated as a problem of people's lack of financial knowledge and skills. The arguments are made that the lack of access to financial knowledge deprives some consumers of the benefits of mainstream financial services:

There is an extensive research literature on financial literacy, which shows that consumers, generally, often lack the information they need to make decisions about the purchase of financial products. While for most people this is a question of making informed choices about a range of products that are on offer, for a minority of people **lack of knowledge is a barrier** to the use of financial services at all. Here it is not just a matter of feeling confident about buying the right product, but more that they either do not know what sort of products are available or where to go to buy them...**Access to information** has been shown to be very unequal, and perhaps more importantly, there are variations between localities that are a function of social class...This geographical dimension is important as there is widespread evidence that people often rely on relatives, friends and neighbours for information and advice about important decisions, which 'creates a vicious circle among excluded groups' [emphasis added]. (Kempson et al. 2000, p. 51)

This research had significant influence over the policymaking process in the UK. In the late 1990s, financial literacy education emerged as a viable and necessary regulatory agenda to tackle the failures of financialisation. It was built on the idea that financial literacy education would integrate consumers into financial services markets and help them benefit from financialisation. To do so, financial regulators and policy makers started developing institutional and legal structures that would build consumer access to financial information, financial education and financial advice. In other words, they expected that financial literacy education would create equal opportunities for all consumers.

The Democratisation of Financial Knowledge

These observations led me to the idea of the democratisation of financial knowledge.¹⁶ The democratisation of financial knowledge¹⁷ is defined as the broadening, deepening and expansion of consumer access to financial information, financial education and financial advice. This new concept describes well the various policy and regulatory attempts aimed at developing and building consumer financial skills through the access to information, education and advice. These regulatory attempts to democratise access to financial knowledge are based on the two following fundamental beliefs.

One is that financial illiteracy contributes to the failure of financialisation. Another is that financial education will empower consumers in financial markets, spreading the benefits of financialisation more widely across the society. These assumptions, however, are highly problematic. Let us examine why that is the case.

First, financial literacy is understood to have the potential to democratise finance (Erturk et al. 2005, 2007). Financial literacy education is viewed as a tool through which larger assumptions on the promise of the democratisation of finance can be tested. As Erturk et al. (2005) have put it:

As the franchise broadens, so new questions about the benefits and social preconditions of democratized finance have also begun to intrude...all the high income Anglo Saxon countries ...since the late 1990s have launched official initiatives to raise levels of financial literacy on the premise that only financially literate citizens can manage their own affairs. Financial literacy for the citizen is, like governance for the corporation, now being prompted as a key control technology whereby financialized capitalism obtains improved economic performance and socially responsible outcomes...we must ask what is the evidence on whether citizens are equipped with the requisite information to use their new found freedom, and whether it is ever possible to make accurate long term predictions using current information, when speculative investments can unexpectedly fail and lifecycle earnings change. (Erturk et al. 2005, pp. 8–10)

The question of financial literacy is approached in this scholarship instrumentally, that is, can greater financial literacy skills bring about democratisation of finance? Naturally, this is a valid and important question to ask. Yet this type of critique limits its scope of enquiry to questions of the effectiveness and relevance of financial literacy education for people's financial decision-making. More importantly, this scholarly approach fails to interrogate questionable ontological and epistemological claims about the levels of consumer financial literacy. It assumes that consumer financial literacy or financial illiteracy levels exist in and of themselves, independently of the political, socio-economic and cultural contexts within which people make financial choices. It also presumes that people's financial literacy or financial illiteracy levels can be known through the measurement of their calculative competence. A quote from the work of Erturk et al., well illustrates this point:

The promise of democratized finance can only be realised if enough citizens in the relevant socio-economic groups have the calculative competence to appraise different financial services and products. Indeed, the requirements are more onerous than this because the services and products on offer will often not consist of propositions with fixed, easily comparable characteristics as with say, two savings accounts which differ only in interest rates offered and rules about access to funds...consumers must

have some capacity for decision making under conditions of uncertainty in addition to basic financial literacy. The problem here is that the evidence on these points is alarming: the general level of financial literacy is very low; the middle classes in the UK have delusions about their competence to choose financial services products; and, under conditions of uncertainty, consumers are likely to focus on reward and ignore risk. The fragments of survey evidence in the public domain suggest the level of financial illiteracy is high in all the Anglo Saxon countries where such competence is relevant for middle class consumers. (Erturk et al. 2005, p. 16)

However, in Chap. 3 of this book I demonstrate that financial literacy levels do not exist in and of themselves. Financial literacy levels are a result of measurement exercises that involve multiple subjective judgements about and assessments of consumer behaviour, character and attitudes. These assessments are not divorced from a particular imaginary of the consumer. In fact, they celebrate and award specific financial behaviour, such as active and regular involvement in the financial services market, the ability to stay financially resilient or the ability to shop around. Moreover, these assessments exclude other types of financial behaviour or, worse, deem the consumer illiterate, without investigating why and how particular financial choices are made or what the socio-economic, political and cultural conditions that affect people's financial decision-making.

Therefore, it should be noted that tackling consumer financial illiteracy “found” by using highly subjective assessments of financial decision-making will not address the failures of financialisation. Adequate attention needs to be paid to understand the ways in which the socio-economic, cultural and political contexts shape and determine how consumers behave and manage their money. This is what I intend to do in the following chapters of my book.

Second, the democratisation of financial knowledge rests on the assumption that financial literacy education will fully and adequately bring individuals into the financial services market. More importantly, it is argued that this financial inclusion will be beneficial to consumers who

were previously excluded from the market. This reflects a market-led approach to economic growth, economic development and poverty alleviation. However, this model has been widely criticised and the effectiveness and success of financially inclusive policies have been challenged. Neoliberal and, therefore, problematic framing of poverty, on which the model of financial inclusion is built, is, perhaps, the greatest concern expressed by academic scholars. Under the model of financial inclusion, poverty is understood to some extent as existing outside the market, where barriers to entry are seen as the main causes for a reinforced condition of poverty (Taylor 2012). Reduction and elimination of these barriers are, therefore, perceived as a panacea to solving these problems.

Indeed, this simplification of people's poverty was well noted and explained by Levitas in one of the most renowned accounts on social inclusion agenda in Britain:

...the implicit model is one in which inequality and poverty are pathological and residual, rather than endemic. Exclusion appears as an essentially peripheral problem, existing at the boundaries of a society which characteristically delivers massive inequality across the board and chronic deprivation for a large minority. (Levitas 2005, p. 7)

According to her, policies and strategies that focus on people's inclusion in the market are "minimalist" (Levitas 2005, p. 7) and, in reality, they further obscure rather than tackle structural inequalities that are produced in and reinforced by the market. Similar shortcomings to the financial inclusion agenda were recognised by Copestake (2010) in his analysis of microfinance programmes in India. His work too has challenged the rationale for and the potential of microfinance-led development to bring about material change. As Copestake has observed:

An excessive focus on the potential of microfinance can simultaneously serve as populist modality for benevolent paternalism, convenient smokescreen for the messy finances of crony capitalism and fodder for an ideology of equality of opportunity over economic justice. By emphasizing the importance of individual access to financial services, a narrow

definition of microfinance also risks contributing to the neglect of a wider development finance agenda that includes improving financial allocations to the collective services needed by poor people such as physical infrastructure, security, health and education services. (Copestake 2010, p. 4)

In addition to the problematisation of the concept of financial exclusion, academic literature has also exposed the ways in which financially inclusive policies exacerbated existing inequalities and discrimination. For example, the analysis of widespread lending practices routinized and upheld by financial institutions dealing with subprime borrowers in the US has shown an “exploitative” side to financial inclusion. This was mainly done through unfair lending practices, that is, consumers previously discriminated against and refused access to credit (mainly women and ethnic minority groups in the US) were later financially included in financial markets and, accordingly, charged higher fees, higher prices for credit or were given credit on less flexible terms and conditions

In her analysis of microcredit programmes administered and promoted by the World Bank, Rankin (2001) has attributed neoliberal rationality and instrumentalism to the international development agenda. Specifically, looking at the narratives of women’s empowerment via microcredit, she has suggested that:

[f]rom the perspective of donors and lenders, women’s participation is thus considered to enhance the financial sustainability of microcredit programmes and ultimately contribute most effectively to the broader goals of deepening financial markets to areas that typically fall outside the purview of capital markets. The scope for profiting from women’s participation, however, depends on their organization in ‘solidarity’ (or ‘borrower’) groups, which become mechanisms for ‘slash{ing}’ administrative costs’, ‘motivating repayment’, and ‘introducing financial discipline through peer pressure’ [...] Within the framework of neoliberal rationality, then, solidarity groups assume as their primary objective the financial health of microcredit programmes, rather than the welfare (indeed, solidarity) of the rural population. (Rankin 2001, pp. 28–29)

Policies and strategies on financial inclusion, particularly through the provision of microcredit, were also shown to have had increased people's exposure to debt (Manji 2010) and contributed to the intensification and growth of domestic violence against women (Karim 2008; Roberts 2015).

All these critical scholarly accounts caution us about the widespread optimism surrounding financial inclusion and the democratisation of finance. They encourage us to reject oversimplified discourses on people's empowerment and poverty alleviation and, instead, severely question the complexity of financial inclusion agendas. Indeed, drawing attention to this genre of critique, Taylor (2012) has invited academics to unpack policies on financial inclusion and expose their messiness and multiplicity. In other words, rather than asking the question whether financial inclusion works or not, we should seek to understand its workings. (Taylor 2012).

I draw inspiration from these engagements in order to understand the workings of the democratisation of financial knowledge. As a tool for financial inclusion, the democratisation of financial knowledge seeks to integrate consumers into financial markets by providing easier access to financial information, financial education and financial advice. This integration-through-information model however is highly problematic. In the next chapters of the book important limitations to this model are mapped out and I demonstrate how financial literacy and numeracy skills are only one factor, and arguably less important, amongst a number of others that shape the ways in which consumers engage with and manage money. Thus, policy and regulatory intervention that aims to tackle informational vulnerability will not fundamentally change the status quo of some consumers. These arguments are explained and elaborated in Chaps. 5 and 6.

Conclusion

Building on previous conceptual work and using the observations drawn from the empirical analysis of concrete institutions of financial literacy education, this chapter has introduced two novel concepts. Both

concepts present new ways of thinking and analysing financial literacy education.

Financial literacy education conceptualised as edu-regulation makes visible the implicit mission to responsabilise consumers in financial services markets. Edu-regulation also illustrates a significant change in the regulatory approach used to protect consumers in financial services markets. Previously favoured passive regulatory techniques, such as disclosures, are now increasingly accompanied with or replaced by interactive regulatory techniques, such as education and advice. Edu-regulation as a concept seeks to capture this shift and to provide analytical space to explore and analyse these interactive techniques of regulation.

The concept of democratisation of financial knowledge distinguishes financial literacy education from the democratisation of finance. It suggests that financial literacy education does not necessarily lead to the democratisation of finance. It also proposes that the project of financial literacy education is not merely about enhancing consumer financial literacy and numeracy skills. This is particularly an important point to make because financial literacy education should not be analytically subsumed by the democratisation of finance. It should be analysed separately as the democratisation of financial knowledge to expose different workings and objectives of the project other than the ones prescribed by the scholarship on the democratisation of finance.

Empirically assessing and evaluating these concepts is something that could and should be carried out by academic scholars working in diverse fields of study. Sociologists and socio-legal scholars researching financial literacy education could explore various processes and practices of democratisation, that is, the ways in which financial knowledge is made accessible to consumers. Looking at different programmes and projects of financial literacy education, studies could explore in much more detail what kind of access is designed and promoted by regulators and policy makers. It would be equally interesting to see if consumer access has been targeted. For example, has access to financial information been tailored to specific needs of consumers that could be linked to their age, disability, geographic location, or family structure? Further research could examine if and how access to financial knowledge is linked to or is dependent

upon consumer access to digitalised information and information technology.

Social scientists interested more broadly in questions of regulation could find the concept of edu-regulation to be very useful. They could use it to examine and theorise other areas of consumer protection law where interactive regulatory tools such as education or expert advice are increasingly used by regulators and policy makers to govern consumer behaviour.¹⁸ The concept could even be applied to areas of law other than consumer protection. For example, it might be useful to conceptualise recent trends in corporate governance where shareholder education is perceived to be an effective tool in policing and managing corporations.¹⁹ If applied to other areas of law, the concept of edu-regulation could be further developed by bringing new insights into the ways in which responsabilisation of regulatory subjects (consumers or shareholders) takes place. The usefulness of the concept could also be tested to analyse educational projects and programmes designed by actors other than policy makers. For example, a great number of educational projects such as “The Watchmen”, “The Giant Pool of Money” and “Toxie” created by journalists, could provide a broader picture of actors and educational techniques involved in the processes and practices of edu-regulation.²⁰

Whatever observations and insights emerge from these new investigations, I would have achieved my goal if these concepts generated interest and engagement amongst a variety of scholars passionate about questions of social justice, equality and law.

Notes

1. For example, financial education came to be used to tackle over-indebtedness, financial exclusion and financial poverty. It was also incorporated into the World Bank’s microfinance programmes for women.
2. According to behavioural economists, human rationality is bounded; therefore, people often use heuristics, that is, various mental short cuts and rules of thumb, when making decisions. Behavioural economic work has documented multiple inconsistencies and errors in individuals’

decision-making processes, and where consumer choice can differ depending on the context and phrasing (Tversky and Kahneman 1974).

3. For example, economist Inderst has argued that “an advisor may help to overcome people’s inertia, in particular when savings and investment decisions are not high on their priority list. In the decision process, advisors could provide information not only about products, but also about possible biases—e.g. arising from wrongly applied heuristics. The process of receiving advice forces the decision maker to think about the problem—perhaps differently from the way he or she would have done without advice” (Inderst 2011, p. 10).
4. These debates also directly speak to and resemble the much wider Law and Development Movement, which began in the 1960s and was largely concerned with the legal empowerment of citizens of the developing world. Formalisation of certain legal institutions (property rights, contract rights) was placed at the heart of the Law and Development Movement. As was famously argued by Hernando de Soto, formalisation of property rights was expected to create access to the market and increase individuals’ economic wealth. This approach to legal empowerment and development was widely accepted by international institutions such as the World Bank and the International Monetary Fund and used to design and shape the economic development agenda in developing countries. This formalistic approach to legal empowerment was later questioned by some legal scholars. It was pointed out that mere formalisation of property rights as a technique of legal empowerment will fail to address problems of irrational biases, informational asymmetries and the lack of good quality services and goods available to particular groups of individuals (as was explained in the Introduction, similar critiques are directed to the consumer empowerment via education debates). On this, see Dyal-Chand (2007).
5. Another one is the limitations of private law to secure adequate protection for consumers. As Ramsay has explained: “[...] the overall efficiency of the market depends upon the institutional framework which secures the performance of market exchanges. The private law system of individual enforcement of rights was traditionally regarded as the counterpart to the market system of economic exchange. A major issue in consumer protection has been the perceived inadequacy of this system of individual private law litigation to secure performance in a mass-consumption economy where the impact of harm is large in the

aggregate but small for any one individual. Since the transaction costs (information, time and trouble, uncertainty of outcome) of enforcing individual consumer claims may often outweigh the expected recovery, the private law system may fail either to deter socially wasteful activity or to compensate for violations of rights. The growth of public regulation, for example, by the office of Fair Trading in the United Kingdom, is partly a reaction to this particular failure” (Ramsay 1985, p. 356).

6. In addition to the critique of financial literacy education inspired by behavioural economics, scholars working in different fields of research have exposed other problematic dimensions of and agendas for financial literacy education. For instance, some researchers describe financial education programmes as a further expansion of the individualisation trend in the so-called Anglo-American world, where people are nudged towards taking individual responsibility for their own social welfare (Froud et al. 2007). Financial literacy education is shown to be a part of a wider neoliberal project that routinizes and normalises financial citizenship in our modern times (Arthur 2011, 2012). Some academic scholars suggest that financial literacy projects contribute to and support the cycle of further financial capital accumulation, where consumers are educated and disciplined to stay on track with their financial commitments (Beggs et al. 2014). The universal and, therefore, somewhat objective understanding of financial literacy education is troubled by some, exposing the ways in which gender, ethnicity, class and race participates in structuring people’s financial choices (Miller 2010; Landvogt 2006; Pinto 2009; Pinto and Coulson 2011).
7. According to the *homo economicus* theory, “people will try to make decisions that maximize expected utility, but recognize that they may fail to achieve this goal due to” constraints, such as lack of time, excessive search costs or insufficient information (Willis 2006, p. 742).
8. Under this model, a consumer is portrayed as “one who is altruistic, lacking in perfect willpower, and subject to some cognitive errors, in short a model of the person we intellectuals have come to recognize as ourselves at the dawn of the dawn of the twenty-first century” (see more Willis 2006, p. 760).
9. Edu-regulation, as a signifier of a regulatory technique, is not unique to consumer financial markets. Consumer protection policies that use education to regulate, for example, pollution, media consumption, personal bankruptcy or health care have mushroomed over the last

several decades (Buckingham 2009; Hobbs and Jensen 2009; Lown 2005; Marlowe and Atilas 2005; Milton and Mullan 2010). Thus, the concept of edu-regulation can be helpful to explain and theorise these regulatory changes and problematise the “responsibilisation” mission advanced in other areas of consumer law.

10. Financial channels, according to Krippner, are activities that relate to “the provision (or transfer) of liquid capital in expectation of future interest, dividends, or capital gains” (Krippner 2005, pp. 174–175).
11. Stockhammer has argued that capital accumulation is a pre-condition for knowledge-growth economy “since physical capital and skills are often complementary and technological progress has to be embodied in new machinery”. He also has asserted that the slowdown in physical capital accumulation is one of the reasons for increased unemployment (Stockhammer 2004, p. 720).
12. In the global South, financially inclusive development is mainly crystallized through various microfinance programmes (Ghosh 2013; Kar 2013). Microfinance is championed for the potential to reduce socio-economic inequalities (Robinson 2001) and empower women (Sanyal 2009). Explaining a widespread interest in and policymakers’ fascination with microfinance as one of the financial inclusion strategies, Bateman has observed: “The person most associated with the ‘discovery’ of microfinance in the 1970s is the Bangladeshi economist and 2006 Nobel Peace Prize co-recipient, Dr Muhammad Yunus. With his vision of rapid and affordable poverty reduction being achieved through microfinance, Yunus was able to convince virtually everyone in the international development community to support his efforts. Indeed, the next generation, he famously said in the 1980s, would be able to understand the concept of poverty only after having visited a ‘poverty museum’. Here, surely, was the poverty reduction concept that all developing countries had been waiting for” (Bateman 2010, p. 1).
13. The financial inclusion agenda came to play a prominent role within the transnational regulatory framework on economic development. A great number of scholarly accounts have produced rich insights about the ways in which international and transnational organisations (the World Bank; the International Monetary Fund; the World Trade Organization; the European Union) promote, adopt and implement development agendas that emphasise and are built on the logic of financial inclusion (see, for example, Rankin 2001; Roberts 2015; Soederberg 2012, 2013,

2014; Bateman and Ha-Joon Chang 2012). For example, describing the development agenda of the World Bank, Manji has argued that access to financial services is an underlying principle and ultimate objective of development projects: “the access dimension of financial services receives attention in the World Bank’s Gender Action Plan in 2007, which is explicit in its emphasis on the importance of credit, taking an instrumental approach to women’s empowerment by stating that ‘gender equality is smart economics’. The 2009 Doing Business Report also concerns itself with access to finance, reporting that the World Bank has extended an earmarked line of credit to commercial banks in the developing world to be used to foster women entrepreneurs. In addition, the work of the Alliance for Financial Inclusion, which is backed by the Gates Foundation, seeks to act as a forum for ‘developing countries [which] have pioneered many of the smartest policies for increasing access to financial services for people living on less than \$2 a day’” (Manji 2010, pp. 991–992).

14. Their scholarly contributions, especially the development of the concept of ‘financial exclusion’, was heavily relied upon and referenced by the Financial Services Authority in its work on financial capability project. For examples of these, please see Financial Services Authority (2000), Treasury Committee (2006), HM Treasury (2007).
15. Besides geographic exclusion from financial services, Kempson and Whyley (1999) have also singled out condition exclusion, price exclusion, marketing exclusion and self-exclusion.
16. The concept of the democratisation of financial knowledge is different from the concept of democratisation of finance. The concept of the democratisation of financial knowledge redirects previous academic debates from the analysis of access to finance to the analysis of access to financial knowledge. The focus on “financial knowledge” rather than “finance” helps to analyse consumer financial education projects not only as a political attempt to democratise finance but also as a political project to democratise financial *knowledge*, to improve access to financial information, financial education and financial advice. As such, the concept of the “democratisation of financial knowledge” extends an analytical space to enquire as to what kind of financial knowledge is sought to be democratised, and what kind of citizenship is expected and desired in the financial democracy?

17. It is important to note that the concept of the democratisation of financial knowledge introduced in the book is wider than what is known in the consumer protection literature as the empowerment by information. Financial knowledge is understood as financial information, financial education and financial advice. The concept of financial knowledge includes not only regulation by information, where techniques such as information disclosures, appropriate labelling and marketing of financial products are often deployed (Hadfield et al. 1998; Howells and Weatherill 2005; Howells 2005). It also includes regulation by education and regulation by advice provision where techniques used to engage with consumers are much more interactive and aimed at not just informing the consumer but also changing her behaviour. Amongst some of these are face-to-face meetings with financial advisors; games, songs or children books used to educate young consumers about money matters; online platforms, apps and interactive online consultations on ways and tips to manage money effectively; and various calculators designed to interact with consumers and provide specified money guidance on different financial matters.
18. To understand and examine how policymakers use various nudging techniques to govern people's behaviour, see, for example, the work of the Behavioural Insights Team attached to Cabinet Office (2015). Further research could also look at and examine other interactive techniques such as prototyping and mock ups that are used by policy-makers to try out and assess new policies (see Policy Lab 2015).
19. The recently adopted UK Stewardship code is a good example of this new trend in corporate governance (the UK Stewardship Code 2012).
20. For further readings on these projects, see This American Life (2015a, b, c).

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